

REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

**ANNUAL REPORT ON OPERATIONS OF THE CITY
FOR THE YEAR ENDED DECEMBER 31, 1999**

INTERNAL AUDIT REPORT 600000-02

MAY 3, 2000



May 3, 2000

Councilman Philip Serio, Chairman
Shreveport City Council

Dear Councilman Serio:

Subject: IAR 600000-02 - Annual Report on Operations of the City for the year ended December 31, 1999

Attached please find the report mentioned above.

Sincerely,

Radford K. Snelding, CFE, CGFM, CIA
City Internal Auditor

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**ANNUAL REPORT
OPERATIONS OF THE CITY
FOR THE YEAR ENDED DECEMBER 31, 1999
INTERNAL AUDIT REPORT (IAR) 600000-02**

OBJECTIVES

We have completed a review of the operations of the City for the year ended December 31, 1999. Our objectives included the following:

- Express a conclusion regarding operations under review for the year then ended;
- Report on serious open recommendations;
- Report on significant open recommendations;
- Report on the most recent external audit opinions; and
- Report on the most recent external audit management letter.

SCOPE AND METHODOLOGY

Our review was performed in accordance with generally accepted governmental auditing standards, as defined in Section A. 50 of the Internal Audit Office Operating Instructions Manual. The scope of the study of internal controls was limited to assessing the general controls surrounding the specific audits, limited reviews, and special reports as completed in the year 1999 by the Office of Internal Audit (OIA). General audit procedures included specifically referenced procedures noted in each audit. Other audit procedures utilized to complete this report included the following:

- Reviewing/analyzing audits, limited reviews, and special reports completed during 1999;
- Reviewing/analyzing open recommendations as of the latest annual follow-up;
- Reviewing most recent external audit opinions; and
- Reviewing most recent external audit management letter.

BACKGROUND

The Charter of the City of Shreveport, 1978, Section 4.25, states "...The City internal auditor shall...(b) Issue a report to the council at least annually on all operations of the City."

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

With the exception of those issues noted in this report, we believe operations at the City are:

- Properly conducted in accordance with standards for governmental accounting and generally accepted accounting controls;
- Operating within their budgetary controls;

- In compliance with the Louisiana Constitution, City Charter, city ordinances, and all other applicable laws and regulations;
- Being managed and utilized in an economical and efficient manner;
- Adequate to insure timeliness and reliability of information in the management information system, administrative procedure and organizational structures;
- Properly accounting for and safeguarding from the loss of city property; and
- Achieving objectives or benefits.

OPERATIONS UNDER REVIEW FOR THE YEAR

The following audits, limited reviews, special reports, and other reports were completed during 1999:

- IAR 040499-01 - Audit of SPAR, Special Facilities Division
- IAR 040199-02 - Audit of SPAR, Operations Division
- IAR 650099-03 - Audit of SPAR, Querbes Golf Course Restaurant Operations
- IAR 600099-04 - Special Report of Employee Sick Leave Donation
- IAR 080199-05 - Audit of Public Works Department, Administration Division
- IAR 600099-06 - Limited Review of Department of Operational Services, Amendments to the Landfill Services Contract, Recycling Public Education and Information Programs and Related Expenditures
- IAR 040299-07 - Limited Review of Golf Enterprise Fund
- IAR 080399-08 - Audit of the Department of Operational Services, Traffic Engineering Division
- IAR 050199-09 - Audit of the Finance Department, Administration Division
- IAR 220299-10 - Audit of the Ground Lease Dated March 10, 1998 Between the City and the Riverboat Casino
- IAR 220699-11 - Audit of the Revenues Received from Casino Magic
- IAR 650099-12 - Special Report of SPAR, Review of Time and Attendance Reporting Guidelines
- IAR 650099-13 - Special Report of Community Development Department, Code Enforcement Bureau, Improper Demolition Action
- IAR 040599-14 - Special Report of SPAR, Airport Park Recreational Facility
- IAR 906099-15 - Special Report - Evaluation of Responses to Questions for the Water and Sewerage Department
- IAR 906099-16 - Limited Review of SPAR (Audit Findings Implemented)
- IAR 070199-17 - Audit of the Agreement Between the Caddo Communications District Number One and the City of Shreveport
- Fraud Hotline Activity Report for the Period of January 1, 1998 through December 31, 1998

The following is a list of issues from the above-referenced reports which we consider **serious** and require immediate correction. Because of the extent or risk associated with these findings, correction should have the highest priority.

- IAR 650099-03 - 1. Misappropriation of Cash and Food Items (Correct deficiencies in the restaurant operations at Querbes Golf Course related to cash handling and inventory control.)
- IAR 040599-14 - 1. Inadequate Control System (Establish policies and procedures to document fund transfers between city employees.)

The following is a list of issues from the above-referenced reports which we consider **significant** and require correction. Because of the extent or risk associated with these findings, correction should be accomplished expeditiously.

- IAR 040499-01 - 2. Funding of the Master Plan Improvements for Independence Stadium (Obtain a reliable funding source for stadium improvements.)
- IAR 040499-01 - 4. Immediate Capital Needs - Subsurface Drainage and Irrigation System (Improve adverse playing conditions because of excessive rain and drought.)
- IAR 040199-02 - 2. Scheduling and Work Orders (Establish a work order system in SPAR Operations.)
- IAR 040199-02 - 4. Guidelines and Procedures Manual (Establish a written policies and procedures manual for day to day operations in SPAR Operations.)
- IAR 040199-02 - 6. Supply Usage (Implement a system of control over supply activity in SPAR Operations.)
- IAR 080199-05 - 1. Constituency Contact and Response (CCAR) Procedures (More completely utilize the CCAR system by entering all applicable complaints with Operational Services, Administrative Division.)
- IAR 080199-05 - 4. Standard Operating Procedures Manual (Establish a written policies and procedures manual for Operational Services, Administrative Division.)
- IAR 600099-06 - 1. Inappropriate Expenditures (Ensure that expenditures for the Recycling Center are for recycling public education and information programs.)
- IAR 600099-06 - 3. Inadequate Program Progress (Ensure that appropriate progress is made on the Mobile Environmental Education Mobile Unit and the Household Hazardous Waste Collection Program by the Recycling Center.)
- IAR 080399-08 - 1. Escort Billing (Change the process utilized in billing for oversized loads in the Traffic Engineering Division.)
- IAR 080399-08 - 3. Police Escorting Fees (Adjust escort fees as appropriate in the Traffic Engineering Division.)
- IAR 050199-09 - 1. Policy and Procedures Manual (Establish a written policies and procedures manual for Finance Administration.)
- IAR 220299-10 - 1. City Responsibility for Monitoring the Ground Lease (Assign accountability to monitor the contract with Harrah's Casino.)
- IAR 650099-12 - 1. Unauthorized Overtime Pay (Correct erroneous overtime procedures at swimming pools.)
- IAR 650099-12 - 2. Improper Recording and Reporting of Hours Worked (Correct procedures related to reporting of JTPA and SPAR payrolls.)
- IAR 040599-14 - 3. Internal Policy Manual and Compliance with City Policies (Establish a written policies and procedures manual for recreational facilities in SPAR Recreation Division.)

The remaining issues from the above-referenced reports we consider important and should be resolved in a timely manner.

OPEN RECOMMENDATIONS FROM PREVIOUS YEARS

The following is a list of open recommendations from previous years which we consider **serious** and require immediate correction. Because of the extent or risk associated with these findings, correction should have the highest priority. (From the most recently completed annual follow-up IAR 220398-14, 1997, plus 1998 reports)

- IAR 130297-03 - 1. Excessive Default Rate for Economic Development Loan Program (Take action to curb and/or reduce the high loan default rate of the loans in the Community Development Department.)
- IAR 190297-07 - 1. Pension Benefit Payments (Implement a control system to prevent the incorrect payment of pension benefits in the Firemen's Pension and Relief Fund.)
- IAR 190297-07 - 3. Funding for Widows' Benefits (Explore alternative options to fund the premiums in the Firemen's Pension and Relief Fund.)
- IAR 190296-08 - 1. Policemen's Pension and Relief Fund Board Decisions (Raise the awareness of personal liability of Board members for actions taken by the Board.)
- IAR 190296-08 - 2. Whole Life Premium Expense (Explore alternative options to fund the premiums in the Policemen's Pension and Relief Fund.)
- IAR 190296-08 - 4. Calculations of Pension Benefits (Implement a control system to prevent the incorrect payment of pension benefits in the Policemen's Pension and Relief Fund.)

The following is a list of open recommendations from previous years we consider **significant** and requiring correction. Because of the extent or risk associated with these findings, correction should be accomplished expeditiously. (From the most recently completed annual follow-up IAR 220398-14, 1997 1998 reports)

- IAR 130297-03 - 3. General Collection Guidelines (Collect appropriate charges allowed by the terms of the loans in the Community Development Department.)
- IAR 190297-07 - 4. Board Composition and Budget Approval (Revise legislation to allow Council participation in selecting members of the Firemen's Pension Board and approval of the Board's budget.)
- IAR 190296-08 - 3. Board Composition and Budget Approval (Revise legislation to allow Council participation in selecting members of the Policemen's Pension and Relief Fund.)
- AA95-04 - 1. Multiple Vendor Listings (Correct incorrect vendor listings.)
- IAR 050193-11 - 4. Lack of Purchasing Manual (Establish a written policies and procedures manual for the Purchasing Division.)
- IAR 070197-12 - 3. Accounts Receivable (Implement measures to more effectively collect accounts receivable related to EMS activities.)
- IAR 210397-01 - 1. Written Policies and Procedures (Establish a written policies and procedures manual for the Chamber of Commerce.)
- IAR 220196-05 - 1. City Responsibility for Monitoring the Ground Lease (Assign accountability to monitor the contract with Harrah's Casino.)
- IAR 220196-05 - 5. Purchases Made from Minority/Women Business Enterprises (Improve the system of verifying.)
- IAR 040197-11 - 20. Policy and Procedures Manual (Establish a written policies and procedures manual for the Recreation Division of SPAR.)
- IAR 160198-01 - 1. Policies and Procedures Manual (Establish a written policies and procedures manual for SporTran.)
- IAR 030198-03 - 1. Standard Operating Procedures Manual (Establish a written policies and procedures manual for Fleet Services Department, Maintenance Division.)
- IAR 220498-07 - 1. City responsibility for Monitoring the Ground Lease (Assign accountability to monitor the contract with Harrah's Casino.)
- IAR 010198-10 - 1. Telecommunications (Improve controls over unauthorized usage.)
- IAR 010198-10 - 3. Policy and Procedures Manual (Establish a written policies and procedures manual for the Chief Administrative Office.)
- IAR 010298-09 - 4. Executive Orders (Establish a system to ensure the receipt and implementation of executive orders issued by the Office of the Mayor.)

- IAR 010298-09 - 6. Policy and Procedures Manual (Establish a written policies and procedures manual for the Office of the Mayor.)
- IAR 070198-12 - 1. Policy and Procedures Manual (Establish a written policies and procedures manual to address cash handling, accounts receivable, and accounts payable for the Fire Department, Administration Division.)
- IAR 110198-13 - 8. Policies and Procedures manual (Establish a written policies and procedures manual for the Metropolitan Planning Commission.)

EXTERNAL AUDIT OPINIONS (most recent completed audit)

KPMG LLP, acting as the external auditors for the City of Shreveport, issued an Independent Auditor's Report on the Comprehensive Annual Financial Report for the City of Shreveport for the period ending December 31, 1998. The opinion was dated March 26, 1999. The opinion expressed by the external auditors was an unqualified opinion.

KPMG LLP, acting as the external auditors for the City of Shreveport, also issued an Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting based on an Audit of Financial Statements. The opinion, with regard to compliance, indicated tests disclosed no instances of noncompliance that were required to be reported. However, certain immaterial instances of noncompliance were noted and reported to management in a separate letter, as noted in the next section. The opinion with regard to internal control over financial reporting indicated tests disclosed no instances of material weaknesses. However, other matters involving internal control were reported in a separate letter, as noted in the next section.

KPMG LLP, acting as the external auditors for the City of Shreveport, also issued an Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. The opinion with, regard to this compliance issue, indicated that the City of Shreveport complied with the requirements referenced in each of its major federal programs. The opinion, with regard to internal control over compliance, indicated tests disclosed no instances of material weaknesses. However, other matters involving internal control were reported in a separate letter, as noted in the next section.

EXTERNAL AUDIT MANAGEMENT LETTER (most recent completed audit)

KPMG LLP, acting as the external auditors for the City of Shreveport, issued a management letter dated March 26, 1999. The following matters were presented in the letter with regard to internal control and other operational matters.

Single Audit Allowable Costs/Payroll Compliance Requirement. Payroll expenses for reimbursement is not based on actual but rather on estimates. Management stated they will change and base reimbursements on actual.

Single Audit Reporting Compliance Requirement Federal Transit. Administration reports are filed late. Management stated they will comply with the requirements.

Airport

Single Audit Reporting Compliance Requirements. The Outlay Report and Request for Reimbursement for Construction Program Reports have not been completed and submitted on a regular basis. Management stated they will comply with the requirements.

Single Audit Cash Management Compliance Requirement. Some reimbursements were requested and received prior to the payment of the invoice. Management stated they will improve the review process and comply with this requirement.

Healthcare Trust Fund

Deposit Errors. Certain deposit errors were not timely corrected. Management stated steps have been taken to avert this problem in the future.

General Fixed Asset Account Group

Documentation of Fixed Asset Retirements. All items retired and removed from the fixed asset system were done before proper authorization. Management stated this practice has been discontinued.

Year 2000 Issue

Year 2000 Initiative. The City is encouraged to closely monitor the year 2000 project. Management stated they will continue to monitor the year 2000 project until completion.

Business Continuity Plan

Disaster Recovery Plan. The City is encouraged to continue to review, test, and update the plan. Management stated they will continue to review, test, and update the plan.

Prepared by:

Radford K. Snelding, CFE, CGFM, CIA
City Internal Auditor

RS:jm

c: Mayor
CAO
City Attorney
City Council
Clerk of Council
External Auditor